

**LEMON GROVE SANITATION DISTRICT BOARD
AGENDA ITEM SUMMARY**

Item No. 2
Mtg. Date September 18, 2018
Dept. Finance

Item Title: Request for Proposals – Indirect Cost Allocation Plan

Staff Contact: Molly Brennan, Finance Manager

Recommendation:

Authorize the release of a Request for Proposals (**Attachment B**) to select a consultant to prepare an indirect cost allocation plan.

Item Summary:

Staff has drafted a Request for Proposal (RFP) (**Attachment B**) for Sanitation District Board consideration. The intent of the RFP is to identify qualified consultants to complete an indirect cost allocation plan for the Lemon Grove Sanitation District. A professional cost allocation plan will provide Lemon Grove with a clear and defensible procedure for sharing indirect overhead expenses between the Sanitation District and the City's other funds.

The staff report (**Attachment A**) provides a brief overview of the RFP and the forthcoming process. Staff recommends that the RFP be released.

Fiscal Impact:

A cost allocation plan will cost approximately \$10,000-\$20,000, which staff was directed to include in the mid-year FY 18/19 budget revision from the Sanitation District, fund 15.

Environmental Review:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section <u> </u> | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Draft Request for Proposal

Attachment A

LEMON GROVE SANITATION DISTRICT BOARD STAFF REPORT

Item No. 2

Mtg. Date September 18, 2018

Item Title: **Request for Proposal – Indirect Cost Allocation Plan**

Staff Contact: Molly Brennan, Finance Manager

Background:

In October 2017, a consulting firm conducted a study of the Sanitation District staffing cost distributions, resulting in a report on an updated distribution for staffing costs between the funds. However, the study did not include any indirect and overhead costs and specifically notes, "This analysis is not a fully calculated cost allocation plan." The intent of the Request for Proposal (RFP) is to fill the gap in the prior study by calculating the overhead and indirect cost allocation, which in combination with the prior study will create a fully calculated cost allocation plan.

During the FY 2018-2019 budget process, the gap in the prior cost allocation study was identified and staff was directed to prepare an RFP for a new study and to include the cost in the Mid-Year Budget Amendment. A professional cost allocation plan will provide Lemon Grove with a clear and defensible procedure for sharing indirect overhead expenses between the Sanitation District and the City's other funds.

Discussion:

Staff has drafted a RFP (**Attachment B**) for Sanitation District Board consideration. The intent of the RFP is to identify qualified finance consultants (or consultant teams) with expertise and experience in drafting cost allocation plan documents for cities in California.

The Draft RFP outlines the scope of work and selection process in detail.

Staff will begin the selection process immediately and may engage firms that submit proposals with clarifying questions. Based on its evaluation, staff will present a recommendation to the Sanitation District Board at the November 6, 2018 meeting.

Conclusion:

Staff recommends that the Sanitation District Board authorize the release of the Request for Proposal to select a consulting firm to prepare an overhead and indirect cost allocation plan for the Sanitation District.

REQUEST FOR PROPOSAL

OVERHEAD & INDIRECT COST ALLOCATION PLAN



Lemon Grove Sanitation District
Finance Department

Attachment B

RELEASE DATE: September 19, 2018

REQUEST FOR PROPOSALS

COST ALLOCATION PLAN

IMPORTANT INFORMATION

Release of RFP: September 19, 2018

Responses Due: October 22, 2018, 4:00 P.M.

Responses must include the following:

- One original (unbound)
- Four copies
- One electronic copy (PDF)

Addresses for Responses:

Physical Address: City of Lemon Grove
Attention: Molly Brennan, Finance Manager
3232 Main Street
Lemon Grove, CA 91945

Email Address: mbrennan@lemongrove.ca.gov

Proposed Award Date: November 6, 2018

Project Start Date: November 19, 2018

Contacts for Questions: Molly Brennan, Finance Manager
mbrennan@lemongrove.ca.gov
(619) 825-3803

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Attachment B

I. Intent

The Lemon Grove Sanitation District releases this Request for Proposal (RFP) with the intent to identify qualified consultants to complete an indirect cost allocation plan for the Lemon Grove Sanitation District. A professional cost allocation plan will provide Lemon Grove with a clear and defensible procedure for sharing indirect overhead expenses between the Sanitation District and the City's other funds.

II. Background

The City of Lemon Grove ("the City") is located approximately ten miles east of downtown San Diego among many communities in San Diego County. The City encompasses 3.75 square miles and is largely bounded by the SR-94 to the north and the SR-125 to the east. The population is approximately 26,700. The City is a general law City operating under the Council/Manager form of government. The elected officials consist of elected City Councilmembers and one Mayor who are elected at large for four-year terms.

City Council and City staff also represent the Lemon Grove Sanitation District, a separate entity from the City, whose activities are recorded in four enterprise funds. The Sanitation District is responsible for the conveyance and treatment of wastewater within the City of Lemon Grove through approximately 67 miles of sewer lines. As of June 30, 2017 the Sanitation District had a net position of \$21,941,623. The FY 2018-2019 Sanitation District budget is \$7,842,072, about 28% of the total FY 2018-2019 Lemon Grove Consolidated Budget.

Beyond the Sanitation District, the City has three major governmental funds, the General Fund and two Special Revenue funds, along with twenty other non-major governmental funds. These funds support the essential operations and services including; law enforcement (San Diego Sheriff), fire (Heartland Fire and Rescue), animal control (Chula Vista Animal Control), public works, building and planning, and City administration. The elected officials and staff also serve as the administrators of the Lemon Grove Redevelopment Successor Agency.

The City prepares its budgets annually on basis consistent with generally accepted accounting principles. The Lemon Grove FY 2018-2019 Consolidated Budget totals \$28.1 million. The FY 2018-2019 Consolidated Budget, along with past budgets and financial statements are available for review at the City's website at: <https://www.lemongrove.ca.gov/departments/finance/budget-information>.

In October 2017, a consulting firm conducted a study of the Sanitation District staffing cost distributions, resulting in a report on an updated cost distribution for staffing between the funds. However, the study did not include any indirect and overheard costs and specifically notes, "this analysis is not a fully calculated cost allocation plan." The intent of this RFP is to fill the gap in the prior study by calculating the overhead and indirect cost allocation, which in combination with the prior study will create a fully calculated cost allocation plan.

III. Scope of Services

Project tasks shall include, but are not necessarily limited to the following. If the consultant feels that additional tasks are warranted, they must be clearly identified in the consultant's proposal.

Attachment B

- 1) Work with City staff to define the purpose, uses, and goals for an Overhead Indirect Cost Allocation Plan, ensuring that the development of the plan will be both accurate and appropriate for the Sanitation District's current needs.
- 2) Meet with various department staff to conduct interviews as needed to gain an understanding of the City's practices and operations.
- 3) Develop an overhead and indirect cost allocation plan that:
 - a. Establishes a defensible cost allocation methodology for specific administrative overhead costs that will properly distribute the costs between the City and Sanitation District
 - b. Allows for additions, revisions, or removal of costs, so the cost allocation plan can be easily adapted to a range of activities both simple and complex
 - c. Provides the ability to continuously update the plan from year to year to accommodate organizational and cost changes
- 4) Assist the Finance Department in presenting the draft cost allocation plan to selected City staff and the Sanitation District Board. It is expected that the comments and concerns will be collected during the draft presentation phase for inclusion in a final cost allocation plan and model.
- 5) Prepare a final cost allocation plan and provide six (6) bound copies and one (1) unbound; as well as a digital copy of the final plan, including related schedules and cost documentation in excel format so it can be updated by City staff.
- 6) The Sanitation District currently does not have a formal OMB Circular A-87 plan in place. As a supplemental part of the cost allocation study, this project will include development of a methodology appropriate for the calculation and allocation of an overhead cost rate complying with OMB Circular A-87. The methodology will distinguish any differences between the OMB Circular A-87 compliant calculation and the General Overhead Indirect Cost Allocation Plan described above. As the consultants work with the City on project task #1 and #2, it may become apparent that the General Overhead Indirect Cost Allocation Plan can be developed in compliance with OMB Circular A-87, negating the need for a separate OMB A-87 methodology and calculation.

IV. Submittal Requirement

The response should include the following information:

- 1) Cover Letter – provide a letter, signed by an officer of the consulting firm authorized to contractually bind the firm, stating that the firm is willing to enter into a mutually developed agreement and final scope of work with the Lemon Grove Sanitation District.
- 2) Project Personnel – identify the proposed project manager and project team. Include a one paragraph summary resume for each key team member.
- 3) Discussion of Similar Projects – identify similar projects that the consulting firm has completed and how the experiences make the firm qualified for this project. For each project, include dates of involvement, and status of the project.

Attachment B

- 4) References – Provide complete contact information for at least four clients or partners with whom the firm has successfully completed similar projects.
- 5) Scope of Work & Project Strategy – relying on the proposed scope of work found in Section III of this RFP, provide the following:
 - Proposed method to accomplish work or Revised Scope of Work,
 - Project phases and tasks as available,
 - Project Timeline and Timing of each phase as available,
 - Deliverables if known, and
 - Optional deductibles or add-ons.
- 6) Insurance – provide evidence that the consulting firm can meet the City's insurance requirements identified in Section VIII of this RFP.

V. Submittal Directions

Package to be Submitted: Four bound copies, one unbound copy, and one electronic copy in PDF version of the RFP package must be submitted. The electronic copy should be emailed to mbrennan@lemongrove.ca.gov.

- 1) Questions regarding this RFP and the City's specific submission requirements may be directed to Molly Brennan, Finance Manager. She may be reached by telephone at 619-825-3803 or by email at mbrennan@lemongrove.ca.gov.
- 2) Due Date of RFP Package: All response packages must be submitted no later than 4:00 p.m. on **October 22, 2018** and addressed to:

Molly Brennan
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945

*Incomplete RFP response packages and packages received after the deadline noted above will not be considered.

*Facsimile copies will not be accepted.

The City/Sanitation District reserves the right to reject any or all submittals. No obligation, either expressed or implied, exists on behalf of the City to make an award for the work or for costs incurred in the preparation of the response to the RFP. The City reserves the right to select more than one party to provide these services.

VI. Evaluation Criteria

City staff will evaluate responses to the RFP, with a focus on:

- Experience and technical competence (specialized experience, record of performance, strength of key personnel and experience with similar local government agencies),
- Proposed scope of work, method to accomplish work, deliverables and time schedules,
- Quality and initiative demonstrated in responding to the RFP, and
- Price of proposed services.

VII. Selection Process

Initial Review: City staff will conduct an initial review of all RFP responses received. Any incomplete response or a response that does not meet the basic qualifications for the project may be eliminated from further consideration.

Evaluation Process: An evaluation panel composed of City staff (and outside consultants, if needed, as determined by City staff in its sole and absolute discretion) will review the remaining RFP responses. The evaluation panel reserves the right to request additional information.

Interview (optional): The final firms may be interviewed by the evaluation panel at a date and time to be determined.

Selection: Following the interview (if conducted), the evaluation panel will make a recommendation to the City Manager for the selection of the firm to enter into negotiations of an agreement. The City Manager, at his/her sole discretion, may ask the Sanitation District Board to approve the selection of the firm.

VIII. Terms & Conditions

- 1) Issuance of this RFP does not commit the City to award a contract, or to pay any costs incurred in the preparation of a response to this request. The City retains the right to reject all submittals. Selection is also dependent upon the negotiation of a mutually acceptable contract with the successful respondent and approval by the City.
- 2) The firm selected to perform the scope work shall be required to provide evidence of public liability and property damage insurance with limits of not less than \$1 million per occurrence for all covered losses and not less than \$2 million general aggregate for injury to, or death of, one or more persons and/or property damage arising out of a single accident or occurrence, insuring against all liability of the City, the selected firm and its authorized representatives, arising out of, or in connection with, the performance of work pursuant to this RFQ. Professional liability insurance (errors and omissions) shall be required of the firm in the minimum amount of \$1 million dollars. The insurance shall be provided at the sole cost and expense of the firm(s) selected.

Attachment B

- 3) As a general rule, all documents received by the City are considered public records and will be made available for public inspection and copying upon request. If you consider any documents submitted with your response to be proprietary or otherwise confidential, please submit a written request for a determination of whether the documents can be withheld from public disclosure no later than ten (10) days prior to the due date of your response. If you do not obtain a determination of confidentiality prior to the submittal deadline, any document(s) submitted will be subject to public disclosure.